

City of Fresno

Compliance Reports and
Other Financial Information
June 30, 2003

McGladrey & Pullen

Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International,
an affiliation of separate and independent legal entities.

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City of Fresno

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2003

| Federal Grantor/Pass-through Grantor/Program and/or Project Title | Federal CFDA Number | Pass-through Grantor | Pass-through Entity or Grant Number | Federal Expenditures | |
|--|---------------------------|---------------------------|--|-------------------------|----|
| U.S. Department of Commerce | | | | | |
| Economic Development Administration, Direct Program | | | | | |
| Public Works and Economic Development | | | | | |
| Facilities, Roeding Business Park | 11.300 * | | 07-01-03809 | \$ 3,000,000 | ** |
| <i>Total U.S. Department of Commerce</i> | | | | <u>3,000,000</u> | |
| U.S. Department of Housing and Urban Development | | | | | |
| Pass-through Program | | | | | |
| 2002/2003 HUD Public Housing Drug Elimination | | | | | |
| Project | 14.193 | Housing Authorities, City | | | |
| Entitlement Cluster | | | | | |
| Community Development Block Grants/Entitlement | | | | | |
| Grants, Direct Program | | | | | |
| FY03 Community Development Block Grant | 14.218* | | B-02-MC-06-001 | 6,649,529 | |
| FY03 Section 108 Loan Repayment | 14.218* | | B-02-MC-06-001 | 739,974 | |
| FY02 Community Development Block Grant | 14.218* | | B-01-MC-06-001 | 592,801 | |
| FY01 Community Development Block Grant | 14.218* | | B-00-MC-06-001 | 278,864 | |
| Total Direct CDGB Program | | | | <u>8,261,168</u> | |
| Emergency Shelter Grant Program, Direct Program | | | | | |
| FY03 Emergency Shelter Grant | 14.231 | | S-02-MC-001 | 205,603 | |
| FY02 Emergency Shelter Grant | 14.231 | | S-01-MC-001 | 93,095 | |
| Total Direct ESG Program | | | | <u>298,698</u> | |
| HOME Investment Partnership Program, | | | | | |
| Direct Program | | | | | |
| FY03 HOME | 14.239* | | R-02-MC-06-0205 | 2,110,142 | |
| FY02 HOME | 14.239* | | R-01-MC-06-0205 | 692,676 | |
| FY00 HOME | 14.239* | | R-99-MC-06-0205 | 92,118 | |
| Total Direct HOME Program | | | | <u>2,894,936</u> | |
| <i>Total U.S. Department of Housing and Urban Development</i> | | | | <u>11,591,883</u> | |

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2003

| Federal Grantor/Pass-through Grantor/Program and/or Project Title | Federal CFDA Number | Pass-through Grantor | Pass-through Entity or Grant Number | Federal Expenditures |
|--|---------------------------|---|--|-------------------------|
| U.S. Department of Interior | | | | |
| Urban Park and Recreation Recovery, Direct Program | | | | |
| Rehab of Fink-White Playground | 15.919 | | 06CTY13700201 | \$ 40,000 |
| Rehab of Frank H Ball Playground | 15.919 | | 06CTY137000101 | 292,365 |
| Total Direct UPARR Program | | | | <u>332,365</u> ** |
| Urban Park and Recreation Recovery, Pass-through Program | | | | |
| Development of Victoria West Park | 15.919 | CA Department of Parks and Recreation | C8939007 | 4,881 |
| Development of Holmes Playground | 15.919 | CA Department of Parks and Recreation | C8937005 | 80,172 |
| Total Pass-through UPARR Program | | | | <u>85,053</u> ** |
| <i>Total U.S. Department of Interior</i> | | | | <u>417,418</u> |
| U.S. Department of Justice | | | | |
| Office of Justice Programs/Office of Juvenile Justice and Delinquency Prevention, Pass-through Program Grant | 16.523 | CA Office of Criminal Justice Planning | IP01016675 | <u>150,182</u> ** |
| Office of Justice Programs/Office of Juvenile Justice and Delinquency Prevention, Pass-through Program | | | | |
| Underage Drinking Program with CSUF | 16.727 | Planning CA Office of Traffic Safety/ Dept of Alcoholic Beverage Control | JJ02036675 02PTS-01 | 164,091 22,231 |
| Total Pass-through OJJDP Program | | | | <u>186,322</u> |
| Office of Justice Programs/Bureau of Justice Statistics, Pass-through Program | | | | |
| CA Incident-Based Crime Reporting System | 16.550 | CA Department of Justice | 01-6026 | <u>79,058</u> ** |

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2003

| Federal Grantor/Pass-through Grantor/Program and/or Project Title | Federal CFDA Number | Pass-through Grantor | Pass-through Entity or Grant Number | Federal Expenditures | |
|---|---------------------------|---|--|-------------------------|----|
| U.S. Department of Justice, Continued | | | | | |
| Office of Justice Programs, Pass-through Program | | | | | |
| Violence Against Women Law Enforcement Specialized Units Program | 16.588 | CA Office of Criminal Justice Planning | LE97016675 | \$ 105,000 | ** |
| Office of Justice Programs/Bureau of Justice Assistance, Direct Program | | | | | |
| 2000 Local Law Enforcement Block Grants | 16.592 | | 2000LBBX | 142,271 | |
| 2001 Local Law Enforcement Block Grants | 16.592 | | 2001LBBX3000 | 270,484 | |
| 2002 Local Law Enforcement Block Grants | 16.592 | | 2002LBBX2500 | 193,242 | |
| Total Direct BJA Program | | | | <u>605,997</u> | ** |
| Office of Justice Programs/Office of Weed and Seed, Pass-through Program | | | | | |
| 2002 Weed and Seed | 16.595 | United Way of Fresno County | 2002-WS-QX-0045 | 91,262 | |
| 2002 Weed and Seed | 16.595 | United Way of Fresno County | 2002-WS-QX-0025 | 89,202 | |
| Total Pass-through OWS Program | | | | <u>180,464</u> | |
| Office of Community Oriented Policing Services, Direct Program | | | | | |
| COPS Universal Hiring Award | 16.711 | | 2002ULWX0061 | 317,399 | |
| COPS in Schools Award (Modified) | 16.711 | | 2002SHWX0657 | 49,968 | |
| COPS Technology Grant Award | 16.711 | | 2002CKWX0018 | 175,594 | |
| COPS Technology Grant Award | 16.711 | | 2002CKWX0019 | 132,522 | |
| Total Direct OCOPS Program | | | | <u>675,483</u> | ** |
| <i>Total U.S. Department of Justice</i> | | | | <u>1,982,506</u> | |
| U.S. Department of Transportation | | | | | |
| Federal Aviation Administration, Direct Program | | | | | |
| Airport Improvement Program | | | | | |
| AIP, Terminal/Concourse Phase V | 20.106 | | DTFA08-99-C-30945 | 350,038 | |
| AIP, Noise Mitigation for Viking School | 20.106 | | DTFA08-99-C-30957 | 1,030,611 | |
| AIP, Concourse Aprons Phase I | 20.106 | | DTFA08-99-C-31002 | 63,689 | |
| AIP, Noise Mitigation for Residences | 20.106 | | DTFA08-00-C-31047 | 850,514 | |
| AIP, Terminal/Concourse Expansion | 20.106 | | DTFA08-00-C-31044 | 1,950,603 | |
| AIP, Rehab Runways Phase I | 20.106 | | DTFA08-01-C-31182 | (12,848) | |
| Subtotal Direct FAA Program | | | | <u>4,232,607</u> | |

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2003

| Federal Grantor/Pass-through Grantor/Program and/or Project Title | Federal CFDA Number | Pass-through Grantor | Pass-through Entity or Grant Number | Federal Expenditures |
|---|---------------------------|------------------------------------|--|-------------------------|
| U.S. Department of Transportation, Continued | | | | |
| Federal Aviation Administration, Direct Program | | | | |
| Airport Improvement Program | | | | |
| Subtotal carried forward | | | | \$ 4,232,607 |
| AIP, Noise Mitigation for Residences | 20.106 | | DTFA08-01-C-31179 | 371,318 |
| AIP, Airport Master Study Plan | 20.106 | | DTFA08-01-C-31147 | 301,216 |
| AIP, 9/11/01 Security | 20.106 | | DTFA08-02-C-31209 | 197,657 |
| AIP, Air Cargo Apron Phase III & Security | 20.106 | | DTFA08-02-C-31263 | 1,092,971 |
| AIP, Land for Noise Compatibility/Reloc | 20.106 | | DTFA08-02-C-31274 | 4,380 |
| AIP, FAR Part 150 Study | 20.106 | | DTFA08-02-C-31317 | 7,398 |
| AIP, Rehab Chandler Runway & Apron | 20.106 | | DTFA08-00-C-31046 | 81,707 |
| AIP, Rehab Chandler Runway Phase II | 20.106 | | DTFA08-01-C-31168 | 72,079 |
| AIP, Conduct Chandler Master Plan Study | 20.106 | | DTFA08-01-C-31146 | 11,986 |
| AIP, Rehab Chandler Runway Phase III | 20.106 | | DTFA08-02-C-31264 | 5,793 |
| Total Direct FAA Program | | | | 6,379,112 ** |
| Highway Planning and Construction Cluster | | | | |
| Federal Highway Administration, Pass-through Program | | | | |
| Program | | | | |
| Highway Research, Planning and Construction Program | 20.205* | CA Department of Transportation | Master Agreement 06-5060 | 9,634,815 ** |
| Federal Transit Cluster | | | | |
| Federal Transit Administration, Direct Program | | | | |
| Planning, Operating Assistance | 20.507 | | CA-90-X826-00 | 54,925 |
| FY98 Urban Mass Transportation Capital, Planning, Operating Assistance | 20.507 | | CA-90-X892-00 | 21,316 |
| FY99 Urban Mass Transportation Capital, Planning, Operating Assistance | 20.507 | | CA-90-X974-00 | (25,948) |
| FY00 Urban Mass Transportation Capital, Planning, Operating Assistance | 20.507 | | CA-90-Y021-00 | 22,053 |
| FY01 Urban Mass Transportation Capital, Planning, Operating Assistance | 20.507 | | CA-90-Y103-00 | 910,521 |
| FY02 Urban Mass Transportation Capital, Planning, Operating Assistance | 20.507 | | CA-90-Y137-01 | 125,576 |
| FY03 Urban Mass Transportation Capital, Planning, Operating Assistance | 20.507 | | CA-90-Y229-00 | 5,811,161 |
| 2002 Emergency Preparedness Drill | 20.507 | | CA-40-X013-00 | 7,901 |
| Total Direct FTA Program | | | | 6,927,505 ** |

* Denotes major program.

** Program expenditure is net of local match requirement.

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N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2003

| Federal Grantor/Pass-through Grantor/Program and/or Project Title | Federal CFDA Number | Pass-through Grantor | Pass-through Entity or Grant Number | Federal Expenditures |
|--|---------------------------|---------------------------------------|--|-------------------------|
| U.S. Department of Transportation, Continued | | | | |
| Highway Safety Cluster | | | | |
| National Highway Traffic Safety Administration, Pass-through Program | | | | |
| Coalition to Increase Traffic Education | 20.600* | CA Office of Traffic Safety | AL0387 | \$ 484,452 |
| Remove Alcohol Impaired Drivers | 20.600* | CA Office of Traffic Safety | AL0117 | 88,429 |
| CA Seat Belt Compliance Campaign | 20.600* | CA Office of Traffic Safety | IN31001 | 29,572 |
| Keep All Occupants Seatbelted | 20.600* | CA Office of Traffic Safety | OP0111 | 68,468 |
| Railroad Crossing Safety | 20.600* | CA Office of Traffic Safety | PT0220 | 51,526 |
| Total Pass-through NHTSA Program | | | | <u>722,447</u> |
| Research and Special Programs Administration, Pass-through Program | | | | |
| Interagency Haz Mat Public Sector Training and Planning "Shelter in Place" 2001 | 20.703 | CA Office of Emergency Services | HMECA1033080-22 | 3,000 |
| Interagency Haz Mat Public Sector Training and Planning "Shelter in Place" 2002 | 20.703 | CA Office of Emergency Services | HMECA2033100-18 | 1,018 |
| Interagency Haz Mat Public Sector Training and Planning "Shelter in Place" Video Production 2002 | 20.703 | CA Office of Emergency Services | HMECA2033100-19 | 14,679 |
| Total Pass-through RSPA Program | | | | <u>18,697</u> ** |
| <i>Total U.S. Department of Transportation</i> | | | | <u>23,682,576</u> |
| U.S. Environmental Protection Agency | | | | |
| Safe Drinking Water Program, Direct Program | | | | |
| Vulnerability Assessments and Related Security Improvements at Large Drinking Water Utilities | 66.476 | | HS-83022201-0 | 115,000 |
| <i>Total U.S. Environmental Protection Agency</i> | | | | <u>115,000</u> ** |
| U.S. Department of Education | | | | |
| Improvement in Education Grant Program, Pass-through Program | | | | |
| Community Science Workshop on Wheels | 84.215 | Fresno Unified School District | R215K020177 | 203,322 |
| <i>Total U.S. Department of Education</i> | | | | <u>203,322</u> |
| U.S. Department of Health and Human Services | | | | |
| Administration on Aging, Pass-through Program | | | | |
| Senior Hot Meals on Wheels | 93.045 | Fresno/Madera Area Agency on Aging | R215K020177 | 49,500 |
| <i>Total U.S. Department of Health and Human Services</i> | | | | <u>49,500</u> |
| Total expenditures of federal awards | | | | <u>41,042,205</u> |

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2003

| State or Local Grantor/Program and/or Project Title | Pass-through Grantor | Pass-through Entity or Grant Number | State Expenditures |
|---|---|-------------------------------------|--------------------|
| CA State Department of Alcoholic Beverage Control | | | |
| Direct Program | | | |
| Alcohol Prevention, Education and Enforcement | | 02G-LA07 | \$ 97,151 |
| | <i>Total CA Dept of Alcoholic Beverage Control</i> | | <u>97,151</u> |
| CA State Citizens Option for Public Safety | | | |
| Pass-through Program | | | |
| COPS Supplemental Law Enforcement Services Fund | County of Fresno | COPS AB1913 | 877,750 |
| | <i>Total CA Citizens Option For Public Safety</i> | | <u>877,750</u> |
| CA State Department of Conservation | | | |
| Division of Recycling, Community Outreach Branch—Direct Program | | | |
| 01/02 & 02/03 Recycling Program | | 2001-2003 | 165,982 |
| | <i>Total CA Dept of Conservation</i> | | <u>165,982</u> |
| CA State Office of Criminal Justice Planning | | | |
| Pass-through Program | | | |
| CA Multi-Jurisdictional Methamphetamine Enforcement Teams | County of Fresno | MH01010100 | 320,809 |
| | <i>Total CA Office of Criminal Justice Planning</i> | | <u>320,809</u> |
| CA State Environmental Protection Agency | | | |
| CA Integrated Waste Management Board—Direct Program | | | |
| 01/02 Park Playground Accessibility & Recycling Grant | | PB2-01-5142 | 50,000 |
| 00/01 Park Playground Accessibility & Recycling Grant | | PB1-01-4711 | 50,000 |
| 01/02 Used Oil Block Grant—7th Cycle | | UBG7-01-5912 | 79,306 |
| 02/03 Used Oil Block Grant—8th Cycle | | UBG8-02-7912 | 70,321 |
| | <i>Total CA Environmental Protection Agency</i> | | <u>249,627</u> |
| CA State Department of Finance | | | |
| Direct Program | | | |
| 2000 CA Law Enforcement Equipment Program | | FY00/01 | 8,931 |
| 2001 CA Law Enforcement Equipment Program | | FY01/02 | 101,670 |
| 2002 CA Law Enforcement Equipment Program | | FY02/03 | 29,718 |
| | <i>Total CA Department of Finance</i> | | <u>140,319</u> |
| CA State Department of Fish and Game | | | |
| Wildlife Conservation Board—Direct Program | | | |
| San Joaquin River Parkway L. Eaton Trail | | WC-1032SW | 88,272 |
| San Joaquin River Parkway Friant Road | | WC-2043TC | 15,113 |
| | <i>Total CA Department of Fish and Game</i> | | <u>103,385</u> |

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2003

| State or Local Grantor/Program and/or Project Title | Pass-through Grantor | Pass-through Entity or Grant Number | State Expenditures |
|--|---|-------------------------------------|-----------------------------|
| CA State Department of Health Services | | | |
| Direct Program | | | |
| Tobacco Enforcement Grant | | 01-16102 | \$ 108,345 |
| | <i>Total CA Department of Health Services</i> | | <u>108,345</u> |
| CA State Department of Highway Patrol | | | |
| Office of Research & Planning—Direct Program | | | |
| Demographic Data Collection | | 00-C5716 | 38,784 |
| | <i>Total CA Department of Highway Patrol</i> | | <u>38,784</u> |
| CA State Department of Parks and Recreation | | | |
| The Resources Agency—Direct Program | | | |
| Mosqueda Soccer Fields | | 50-13-036 | 88,795 |
| Roberti-Z'berg-Harris Urban Open Space & Recreation Block Grant | | C2009038 | 66,538 |
| Per Capita Grant Program | | C2003063 | 560,238 |
| Murray-Hayden Program—2000 Bond Act | | C2009603 | 21,053 |
| | <i>Total CA Department of Parks and Recreation</i> | | <u>736,624</u> |
| CA State Department of Transportation | | | |
| Aeronautics Program of the CA Transportation Commission—Direct Program | | | |
| California Aid to Airports Program | | CAAP Fre-2-99-1 | 2,178 |
| Division of Engineering Services Railroad Agreement Branch | | | |
| Shaw and Marks Grade Separation | | GS-6087 | 1,310,608 |
| Division of Local Transportation Assistance—Direct Program | | | |
| Highway Research, Planning & Construction Program [State Portion] | | Master Agreement 06-5060 | 1,084,889 |
| Transit Capital Improvement Funds—Direct Program | | | |
| Fresno Intercity Rail Station | | 75A0045A/1 | 1,869,529 |
| | <i>Total CA Department of Transportation</i> | | <u>4,267,204</u> |
| Fresno County Transportation Authority | | | |
| Direct Program | | | |
| Hughes/West Diagonal Highway Improvement Project | | 4014-1 | 8,000 |
| | <i>Total Fresno County Transportation Authority</i> | | <u>8,000</u> |
| Fresno Metropolitan Flood Control District | | | |
| Direct Program | | | |
| 2002 Clean Storm Water Grant—Environmental Education Project | | 510.181417 | 2,000 |
| | <i>Total Fresno Metro Flood Control District</i> | | <u>2,000</u> |
| San Joaquin Valley Unified Air Pollution Control District | | | |
| Direct Program | | | |
| Bicycle Lane Construction and Stripping Project | | 00-017/00-018 | 13,112 |
| | <i>Total SJV Unified Air Pollution District</i> | | <u>13,112</u> |
| Total expenditures of state awards | | | <u>7,129,092</u> |
| Total expenditures of federal and state awards | | | <u>\$ 48,171,297</u> |

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

Notes to Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and applicable state grant activity of the City of Fresno, California, (the City) and is presented on the modified-accrual basis of accounting which is described in the notes to the City's basic financial statements. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In addition, the Schedule reflects certain adjustments resulting from grant close-outs and transfers of expenditures between grants. As a result, certain grants show negative expenditures.

Note 2. Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

| Program Title Provided | Federal CFDA Number | Amount |
|---|------------------------|------------|
| Community Development Block Grant Entitlement Program | 14.218 | \$ 140,940 |
| Emergency Shelter Grants | 14.231 | 275,099 |
| FAA Airport Improvement Program | 20.106 | 932,333 |

Note 3. Section 108 Loans

The City has four Section 108 loans outstanding at June 30, 2003. Semiannual payments on these Section 108 loans are made from interest earned on the restricted loan investments and from Community Development Block Grant funds and are included in the federal expenditures for the Community Development Block Grant on the Schedule. Principal and interest payments on all four loans totaled \$903,067 for the year ended June 30, 2003, of which \$739,974 was paid from Community Development Block Grant funds.

Notes to Schedule of Expenditures of Federal and State Awards

Note 3. Section 108 Loans, Continued

As of June 30, 2003, there is \$4,000,349 of unspent Section 108 loan proceeds remaining. A summary of Section 108 loans outstanding as of June 30, 2003 is as follows:

| CFDA # | Grant Loan Program | Unspent Loan Proceeds as of June 30, 2003 | Outstanding Loan Balances as of June 30, 2003 |
|--------|--|--|--|
| 14.218 | Section 108 Note, Fresno Pacific Towers | \$ 1,155,397 | \$ 1,205,000 |
| 14.218 | Section 108 Note, Regional Medical Center | 1,335,306 | 2,595,000 |
| 14.218 | Section 108 Note, Fresno-Madera Area Agency on Aging | 11 | 1,375,000 |
| 14.218 | Section 108 Note, Neighborhood Streets/Parks | 1,509,635 | 1,500,000 |
| | | <u>\$ 4,000,349</u> | <u>\$ 6,675,000</u> |

Note 4. Office of Criminal Justice Planning Disclosures

The following schedule represents the detail of expenditures for each Office of Criminal Justice Planning program for the year ended June 30, 2003:

| | Federal/ State Match | Local Match | Total |
|---|-------------------------|------------------|-------------------|
| Juvenile Accountability and Incentive Block Grant | | | |
| Grant Award Number IP01016675 | | | |
| Personal services | \$ 144,570 | \$ 16,063 | \$ 160,633 |
| Operating expenses | 5,612 | 624 | 6,236 |
| Equipment | - | - | - |
| | <u>\$ 150,182</u> | <u>\$ 16,687</u> | <u>\$ 166,869</u> |
| Police Activities League | | | |
| Grant Award Number JJ02036675 | | | |
| Personal services | \$ 111,542 | \$ - | \$ 111,542 |
| Operating expenses | 24,082 | - | 24,082 |
| Equipment | 28,467 | - | 28,467 |
| | <u>\$ 164,091</u> | <u>\$ -</u> | <u>\$ 164,091</u> |
| Violence Against Women Formula Grant | | | |
| Grant Award Number LE97016675 | | | |
| Personal services | \$ 79,412 | \$ 26,471 | \$ 105,882 |
| Operating expenses | 25,589 | 8,530 | 34,118 |
| Equipment | - | - | - |
| | <u>\$ 105,000</u> | <u>\$ 35,000</u> | <u>\$ 140,000</u> |

Notes to Schedule of Expenditures of Federal and State Awards

Note 4. Office of Criminal Justice Planning Disclosures, Continued

California Multi-Jurisdictional Methamphetamine

Enforcement Teams Program

Grant Award Number MH01010100

| | | | |
|--------------------|-------------------|-------------|-------------------|
| Personal services | \$ 252,801 | \$ - | \$ 252,801 |
| Operating expenses | 15,133 | - | 15,133 |
| Equipment | 52,875 | - | 52,875 |
| | <u>\$ 320,809</u> | <u>\$ -</u> | <u>\$ 320,809</u> |

Grand totals for the Office of Criminal Justice

Planning Pass-through Programs

| | | | |
|--------------------|-------------------|------------------|-------------------|
| Personal services | \$ 588,324 | \$ 42,534 | \$ 630,858 |
| Operating expenses | 70,416 | 9,153 | 79,569 |
| Equipment | 81,342 | - | 81,342 |
| | <u>\$ 740,082</u> | <u>\$ 51,687</u> | <u>\$ 791,769</u> |

Note 5. Insurance

The City is self-funded for liability exposures, except for the Fresno Airport, which has liability insurance coverage with limits up to \$60,000,000. The City's general liability program consists of a \$2,500,000 self-insured retention with purchased excess insurance layers of an additional \$10,000,000 coverage. The City's Workers' Compensation program consists of \$1,000,000 self-insured retention with purchased excess insurance layers up to the statutory limits. The City has all risk property insurance for physical loss and/or damage with a \$25,000 deductible and limits of insurance up to \$200,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 6. Economic Development Grant—CFDA # 11.300

The City, in conjunction with the Redevelopment Agency of the City of Fresno (Agency), obtained a \$3,000,000 financial assistance award in September 1998 from the U.S. Department of Commerce—Economic Development Administration for the development of the Roeding Business Park Infrastructure. Although project expenditures commenced in fiscal year 1998/1999, the first reimbursement request was not formally submitted until fiscal year 2002/2003. Therefore, this financial assistance award was not included in the City's prior years' Schedule of Expenditures of Federal and State Awards. Actual federal expenditures incurred in fiscal year 2002/2003 were \$598,527, which comprises the 50% federal match of total eligible incurred expenditures of \$1,197,054. However, as eligible expenditures were incurred in prior years, the Schedule of Expenditures of Federal and State Awards as contained in this report include the total eligible federal expenditures of \$3,000,000 incurred through June 30, 2003.

**Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

We have audited the basic financial statements of the City of Fresno, California, (the City) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item RC# 2003-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Mayor, City Council, management, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Riverside, California
December 9, 2003

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and the Schedule of Federal and State Awards in accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

Compliance

We have audited the compliance of the City of Fresno, California, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of the City of Fresno, California, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 9, 2003.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Council, management, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Riverside, California
December 9, 2003

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

I. Summary of Independent Auditor's Results**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? X Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

| CFDA Number | Name of Federal Program | Amount Expended |
|-------------|--|-----------------|
| 11.300 | Public Works & Economic Development Facilities—Roeding Business Park | \$ 3,000,000 |
| 14.218 | Community Development Block Grant Entitlement Programs | 7,521,194 |
| | Community Development Block Grant Section 108 Loan Repayments | 739,974 |
| 14.239 | HOME Investment Partnership Act Program | 2,894,936 |
| 20.205 | Highway Research, Planning & Construction Program | 9,634,815 |
| 20.600 | National Highway Traffic Safety Administration | 722,447 |

Dollar threshold used to distinguish between type A and type B programs: \$ 1,231,266

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2003

II. Findings Relating to the Financial Statement Audit as Required to be Reported in accordance with
Generally Accepted Government Auditing Standards

A. Reportable Condition

RC# 2003-01—Year-end Closing Process

Condition: As part of the year-end closing process, the City's financial reporting staff prepares several hundred journal entries to convert the financial statements to the modified accrual basis and/or accrual basis from the principally cash basis financial accounting system. These conversion entries are primarily prepared and posted to the general ledger by individuals assigned the responsibility of preparing the Comprehensive Annual Financial Report (CAFR). While staffing levels have remained relatively constant over the past several years, responsibilities and duties falling to the CAFR staff have significantly increased. However, in large part resulting from staffing constraints, these journal entries are not formally reviewed and approved by management prior to posting to the general ledger. During our audit, we noted several journal entries incorrectly posted to the general ledger that were not approved prior to posting.

Criteria: The year-end closing process completes the general ledger and enables the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Internal control over the financial reporting process may be inadvertently bypassed due to time constraints and staffing issues which may result in inaccurate financial reporting that may not be identified in a timely manner by management.

Recommendation: We recommend that the City review its year-end closing process to ensure that all conversion journal entries prepared are approved by management prior to posting to the general ledger. Included in this review should be an assessment of the number of individuals assigned to the general ledger conversion process to determine what additional staff resources are needed. The City should also assess the training opportunities being provided to those individuals posting the conversion entries. With the addition of staff at the appropriate level, devoted to the CAFR function, and additional training, duties could be reassigned enabling senior CAFR staff to perform the review of conversion entries as well as other much needed and necessary functions.

City response: In general, the City agrees with the finding as presented. However, the City believes that the staffing issue noted is primarily due to a Senior Accountant/Auditor vacancy in the Financial Reporting Section of the Finance Department as well as only having one full-time position being devoted to the CAFR function. The Senior Accountant/Auditor position plays a crucial role in reviewing the financial statement development process, including the review of the journal entries as noted above. The Finance Department Management implemented a provisional appointment of this position for the current CAFR season but it did so with the one existing full-time CAFR team member. The Department is currently in the process of a recruitment for the permanent filling of the senior position. Through reorganization of the Department as a result of attrition due to loss of staff to other departments, promotions and retirements, it is anticipated that the addition of two full time CAFR team members can be accomplished at this time without the necessity of additional FTE's. With this reorganization, the appropriate staff will be in place to carry out the effective internal control procedures over financial reporting that are already in place.

Each year, with the additional complexities of preparing the CAFR that is a result of GASB 34, the time necessary to prepare the CAFR is more and more becoming a year-round process. Staffing levels that were at one time adequate become no longer so. The City will evaluate staffing levels on an ongoing basis and will

Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2003

make adjustments as necessary in order to ensure that the City maintains the quality and quantity of personnel necessary to prepare the City's Comprehensive Annual Financial Statement in a timely and efficient manner.

B. Compliance Findings

None.

III. Findings and Questioned Costs for Federal Awards

None.

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2003

I. Findings Relating to the Financial Statement Audit as Required to be Reported in accordance with
Generally Accepted Government Auditing Standards

A. Reportable Conditions

RC# 2002-01—Year-end Closing Process

Condition: The City has experienced significant problems in closing its year-end books, which resulted in inaccurate and incomplete trial balance information and a delayed audit start date. These problems are due to numerous factors, including employee turnover in key financial management positions, ineffective communications between the Finance Department and other City departments regarding the information necessary for closing the books and numerous year-end closing and correcting entries, and deficient reviews and oversight over the year-end closing process.

Criteria: The year-end closing process completes the general ledger and enables the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Ineffective internal controls over the financial reporting process may result in inaccurate financial reporting that may not be identified in a timely manner by management.

Recommendation: We recommend the City review its year-end closing process in order to improve timeliness and reduce the number of adjusting, reclassification and post-closing journal entries during the audit process. The review should include an analysis of the timing, methodology and personnel involved in the closing process with frequent status meetings held to update the year-end closing process. Also, we recommend that the closing procedures include the preparation of account summaries for financial statement line items and account analyses for significant accounts. In addition, entries prepared to allocate revenues and expenditures among funds should be performed when final account balances have been determined and by employees most involved in the daily administration of these transactions.

Current status: The Finance Department, with the support of the City Manager's Office, has established a new section within the Finance Department known as the Financial Reporting/Grants Management Section. Department management has set in motion the implementation of a division of roles and responsibilities within the Finance Department to provide cross-training and back-up of key personnel, to document year-end accounting processes and procedures, provide training to field personnel on closing processes and fully develop, document and consistently apply City-wide fiscal year-end closing procedures. In addition, Finance staff will develop interim procedures and periodic reviews of accounting data being processed which will ensure more timely generated, accurate year-end information.

B. Compliance Findings

None.

Summary Schedule of Prior Year Audit Findings, Continued
Year Ended June 30, 2003

II. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions

RC# 2002-02—Administration of Federal and State Grants

Condition: The Finance Department is responsible for preparing the Schedule of Expenditures of Federal and State Awards for reporting purposes and for ensuring the accuracy of requests for reimbursement and other financial reports submitted to the granting agencies. During our audit, we noted that the Finance Department experienced difficulty in administering the grant reporting process. These difficulties include not knowing what federal and state awards the City has, distinguishing federal awards from state awards, determining the amount of expenditures of federal and state awards to be included in the Schedule of Expenditures of Federal and State Awards, and grantor-imposed submission deadlines for reporting on the Schedule of Expenditures of Federal and State Awards. This is due to the following primary factor: the lack of communication between the Finance Department and the respective City departments applying, receiving and administering the federal and state assistance.

Criteria: The U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states that the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Effect: The lack of effective communication among the various City departments has resulted in the City preparing an erroneous Schedule of Expenditures of Federal and State Awards and missing required reporting deadlines. With the City receiving large federal and state awards from numerous funding sources, effective internal communication is crucial to an effective monitoring and reporting process.

Recommendation: We recommend the City Finance Department create a Grants Coordinator position to serve as a liaison among all the City departments. This position would help eliminate the errors in the grant reporting process by working closely with all respective departments in obtaining all the information necessary to prepare the Schedule of Expenditures of Federal and State Awards, including maintaining copies of all grant and award agreements. This position would also serve to keep all the respective departments informed of changes to the grant recording and reporting process and any reporting submission deadlines.

Current status: The City annually receives millions of dollars in grant funds, and the Finance Department recognized the importance of establishing a centralized grant management unit within the Finance Department. In May 2003, with the support of the City Manager's Office, a new financial reporting/grant management coordinator position was developed to take a hands-on approach to the City's grant financial oversight and reporting functions during the fiscal year. Each department/division's grant administrator throughout the City has been working closely with the grant coordinator to facilitate a standardized system for monitoring and reporting revenue and eligible expenditures on all federal, state and local grant awards. This internal involvement has greatly contributed to the ability to prepare the auditee's portion of the single audit required by OMB Circular A-133, including the Schedule of Expenditures of Federal and State Awards.

In fiscal year 2004, these department/division representatives will be involved in the new Grants Management Steering Group, which will take on the task of formalizing all City-wide grant management policies and procedures, operate as a grant application clearinghouse, provide training to all City personnel involved in managing the grant from application through conclusion, and provide consistency in all aspects of grant administration and reporting.

Summary Schedule of Prior Year Audit Findings, Continued
Year Ended June 30, 2003

RC# 2002-03—Cost Allocation Plan

Condition: The City's Cost Allocation Plan (CAP) was last approved by its cognizant agency in 1984. The methodology employed in preparing the CAP has changed considerably over the last 18 years since the last time the CAP was approved. In addition to being approved by the City's federal cognizant agency, the City's CAP must be approved by the State of California Department of Transportation (CALTRANS), the City's pass-through grantor for the Highway Research, Planning and Construction program for indirect costs charged to that program to be eligible for reimbursement. CALTRANS has not yet received the City's CAP. The CAP has historically been prepared to only capture costs of certain departments, and federal grants were never considered as a user or beneficiary of these departments when allocating these costs among users. We noted numerous indirect costs charged to federal awards that were not included in the City's CAP.

Criteria: OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, states that all central service costs that a local government intends to claim for reimbursement under a federal award must be included in its CAP.

Effect: Indirect costs omitted from the City's CAP and not approved by the City's federal cognizant agency and respective pass-through grantor agencies will not be reimbursed to the City. The City may also be liable to reimburse its grantors for indirect costs already requested and received. This could amount to significant costs the City will have to fund through different means.

Recommendation: We recommend that the City reevaluate its methodology in preparing the CAP to include all departments and cost centers the City intends to allocate costs to as user departments and grants based on current updated allocation methods. In addition, we recommend that the City submit this comprehensive CAP to its respective federal cognizant agency and pass-through agencies for approval at least six months prior to the beginning of the City's fiscal year in which it intends to claim these indirect costs for reimbursement.

Current status: The CAP was reviewed by the City's cognizant agency, the U.S. Department of Housing and Urban Development (HUD), in 1997. The basis for the review was initiated by the Federal Aviation Administration and targeted the City's indirect costs charged not being in agreement with an approved cost allocation plan. During the review, HUD determined that the City's CAP charges were in accordance with OMB Circular A-87. HUD also stated that the City's CAP had been approved about 14 years earlier and since the single audit review never indicated any major issues, HUD would not require the City to submit a revised CAP for its review unless there is a compelling reason to do so. The OMB states that local governments, unless identified as a "major local government," need not submit plans for approval unless requested to do so by the agency responsible for reviewing plans.

The Budget Section and Finance Department recognize the Maximus CAP software program is old, outdated and not capable of a great amount of flexibility. The City has reviewed several possible programs and is currently evaluating an up-to-date software CAP program available from Maximus. The City is also assessing the appropriate method of including all Internal Service Funds into the CAP. The City's goal is to have the updated software in place by year end and include all central service costs within the plan. The City will submit the new CAP to HUD for an updated review and reapproval.

Summary Schedule of Prior Year Audit Findings, Continued
Year Ended June 30, 2003

B. Compliance Findings

CF# 2002-01—Community Development Block Grant Entitlement Program (CFDA# 14.218)

Condition: The Community Development Block Grant (CDBG) fund was charged \$41,450 for vehicle and equipment replacement costs by the Fleet Replacement fund. The CDBG fund subsequently requested and received federal reimbursement for these unallowable costs. Per our review of the journal entry and related support, the allocation of these replacement costs to the CDBG fund are unsubstantiated.

Questioned costs: \$41,450.

Criteria: Per 24 CFR Section 570.200, all activities undertaken must meet one of three national objectives of the CDBG program, i.e., benefit low- and moderate-income persons, eliminate slums or blight, or meet community development needs having a particular urgency.

Effect: As the City received reimbursement for these unallowable costs, the City may be liable to reimburse the U.S. Department of Housing and Urban Development or reduce future reimbursement requests by the questioned amount of \$41,450.

Recommendation: We recommend the City familiarize the staff responsible for authorizing federal reimbursable expenditures with the applicable federal program rules and regulations governing allowable and unallowable expenditures and activities, including OMB Circular A-87.

Current status: Fully corrected.

CF# 2002-02—Highway Research, Planning and Construction Program (CFDA# 20.205)

Condition: Per our expenditure test work, we noted one journal entry for traffic signal costs based on an estimate of \$18,078 rather than an actual expenditure amount.

Criteria: OMB Circular A-87 states that all costs charged to a federal program represent charges for actual costs, not budgeted or projected amounts.

Effect: By including costs based on estimates, the City is not in compliance with program requirements and with OMB Circular A-87. As the City has not been reimbursed for this transaction, the City reversed this entry to exclude it from applicable program expenditures.

Recommendation: We recommend the City familiarize the staff responsible for authorizing federal reimbursable expenditures with the applicable federal program rules and regulations governing allowable and unallowable expenditures and activities, including OMB Circular A-87.

Current status: Fully corrected.

CF# 2002-03—Highway Research, Planning and Construction Program (CFDA# 20.205)

Condition: Per our expenditure test work, we noted an expenditure for \$32,067 for a highway project not included in the federal program award for approved projects.

Summary Schedule of Prior Year Audit Findings, Continued
Year Ended June 30, 2003

Criteria: Federal funds can be used only to reimburse costs that are: (1) incurred subsequent to the date of authorization to proceed, except for certain property acquisition costs permitted under 23 USC 108; (2) in accordance with the conditions contained in the project agreement and the plans, specifications and estimates (PS&E); (3) allocable to a specific project; and (4) claimed for reimbursement subsequent to the date of the project agreement (23 CFR sections 1.9, 630.106, 630.205, and 630.303).

Effect: By including expenditures for unapproved projects, the City is not in compliance with federal program objectives and procedures over allowable expenditures. As this expenditure was discovered prior to the City submitting a claim for federal reimbursement, the City reversed this expenditure from total applicable program expenditures.

Recommendation: We recommend the City familiarize the staff responsible for authorizing federal reimbursable expenditures with the applicable federal program rules and regulations governing allowable and unallowable expenditures and activities. We also recommend that the City strengthen its controls over the expenditure review and authorization process to perform more timely and diligent reviews. This would ensure that unapproved expenditures are caught timely so that they are not included in the City's claim for federal reimbursement.

Current status: Fully corrected.

Independent Auditor's Report on Applying Agreed-upon Procedures

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Calculation of the City of Fresno, California, (the City) for the year ended June 30, 2003. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed internal calculations and compared the limit and annual adjustment factors included in those calculations to the limit and annual adjustment factors that were adopted by a resolution of the City of Fresno Council. We also compared the population and inflation options included in the aforementioned calculations to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Calculation, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Calculation to the supporting calculations described in item 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year Appropriations Limit presented in the accompanying Appropriations Limit Calculation to the prior year Appropriations Limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Calculation of the City of Fresno, California. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII B of the California Constitution.

This report is intended solely for the information and use of the City Council and management of the City of Fresno, California, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McGladrey & Pullen, LLP

Riverside, California
December 9, 2003

City of Fresno

Appropriations Limit Calculation
Year Ended June 30, 2003

| | Amount | Source |
|---|------------------------------|---------------|
| A. Last Year's Limit | \$ 295,549,159 | |
| B. Adjustment Factors: | | |
| 1. Population change | 1.0142 | State Finance |
| 2. Per capita income change | 0.9873 | State Finance |
| Total Adjustment [(1 x 2) - 1.0] | <u>0.0013</u> | |
| C. Annual Adjustment | <u>390,024</u> | (BxA) |
| D. Other Adjustments: | | |
| 1. Lost responsibility (-) | - | |
| 2. Transfer to private (-) | - | |
| 3. Transfer to fees (-) | - | |
| 4. Assumed responsibility (+) | - | |
| Subtotal | <u>-</u> | (D1+D2+D3+D4) |
| E. Total Adjustments | <u>390,024</u> | (C+D) |
| F. This Year's Limit | <u><u>\$ 295,939,183</u></u> | (A+E) |

Lomeli, Veronica

From: Jones, Greg
Sent: Friday, March 30, 2007 1:34 PM
To: Lomeli, Veronica
Subject: RE: Morningstar

Yes, that is separate from the other subscriptions.

Greg Jones, PFS, CLU, CFP®
Managing Director
Southern California Wealth Management Group
RSM McGladrey, Inc.
Office: 626.795.8590
Fax: 626.795.9820

From: Lomeli, Veronica
Sent: Friday, March 30, 2007 12:38 PM
To: Jones, Greg
Subject: RE: Morningstar

One more Greg

I have the following for you, can this be paid?

FundInvestor \$109.00

Thanks

Veronica Lomeli
RSM McGladrey, Inc.
3880 Lemon St., Ste. 400
Riverside CA 92501
P 951-750-1838 F 951-680-1729

From: Jones, Greg
Sent: Tuesday, March 27, 2007 2:39 PM
To: Lomeli, Veronica
Cc: Kelly, Michael
Subject: RE: Morningstar

don't pay yet. We may convert his subscriptions to the same thing I just got.

Greg Jones, PFS, CLU, CFP®
Managing Director
Southern California Wealth Management Group
RSM McGladrey, Inc.
Office: 626.795.8590
Fax: 626.795.9820

From: Lomeli, Veronica
Sent: Tuesday, March 27, 2007 2:03 PM
To: Jones, Greg
Subject: Morningstar

Hi Greg,

I have the following invoice to pay under Mike Kelly.

| | |
|--|---------------|
| Principia for Mutual Funds Advanced 12 monthly discs | \$1082.89 |
| Principia for Stocks 12 monthly discs | \$598.01 |
| Principia for VA/Life 12 monthly discs | \$598.01 |
| Total invoice is | \$2278.91 |

Is this OK to pay?

Thanks

Veronica Lomeli

RSM McGladrey, Inc.

3880 Lemon St., Ste. 400

Riverside CA 92501

P 951-750-1838 F 951-680-1729